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DEPARTMENT OF STATE

BUREAU OF ECONOMIC AFFAIRS

MARCH 8, 1965

(1) Soviets Playing Both Sides Regarding Color TV
Karaulov, who will be a member of the Soviet team coming to the US this month for technical discussions with RCA on color TV, told Embassy Moscow that he was not going to discuss the European-wide TV system, and that purchase of equipment and licensing of know-how were of interest no matter what system the USSR eventually adopts, as most components are compatible with either NTSC, PAL, or SECAM. Embassy also reports a conversation with a member of the SECAM team, who seemed confident that the Soviets believe the French system is more suited for their needs. The Frenchman indignantly accused RCA of violating agreements by inviting the Soviet team to witness video tape recording production process. He said that the French had made clear to the Soviets they are not in a position to sell equipment or transfer technology not belonging to them.

Embassy assumes that Washington will bear in mind the perils of the natural Soviet tendency to play both sides for all they can get and will instruct RCA accordingly. It is possible that a distorted report may appear in the European press that the US is planning to violate its COCOM obligation on recorder technology to salvage NTSC's prospects in Europe. While a number of possibilities exist as to the Soviet intentions on the US trip, Embassy believes the visit nevertheless might well serve the purpose of encouraging at least Soviet neutrality at the forthcoming Vienna CCIR meeting on a European-wide system for color TV. Embassy notes that Karaulov has no policy-making functions; he will be competent to ascertain RCA's best offer, but real policy discussions would have to be with Rudnev or Gvishiani. (Confidential)

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(2) Swiss

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(2) Swiss Insist on Termination of Watch Escape Clause Action
Given the Tariff Commission release on watches, Minister Weitnauer expressed surprise that the Tariff Commission had made no recommendation. While regarding Herter's role in preparing a recommendation to the President an encouraging factor, Weitnauer expressed concern that the recommendation might be for reduction rather than termination of the escape clause action. He pointed out that only termination would permit inclusion of watches in the KR. Weitnauer said he considered it "unthinkable" that the President would make a negative finding (i.e. fail to terminate the escape clause action) in view of the implications for US-Swiss relations and the success of the Kennedy Round. (Limited Official Use)

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(3) Embassy Gives Views on Argentine Wheat Pricing Embassy Buenos Aires thinks that the Argentine Grain Board might be persuaded to raise its price for offerings to the UK if it could be assured that such actions would not price Argentine wheat out of the market. It believes that a visit of a Department of Agriculture technician with knowledge of the European market would be invaluable in discussions with the Board and makes suggestions on timing. The Board has at this time a "gentlemen's agreement" with the trade whereby fob prices for the continent are stabilized at \$53 per metric ton and \$55 per metric ton for the UK. Even at these prices continental demand is weak. (Limited Official Use)

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(4) Bonn Pessimistic on Bloc Credit; McGhee Urges Continued Efforts
German officials believe that initial reaction among the EEC member countries to the German proposal on Bloc credit limitations indicated that there is no chance for agreement on this plan, and that further consideration by the permanent representatives will produce no results. Despite German pessimism on this question, Ambassador McGhee believes that we should continue our efforts. He points out that although the Dutch are now prepared to go to 10-year credits, they have stated that they will move very cautiously. While the permanent representatives are still examining the proposal we have a chance to influence them, and he urges that we make a final effort including approaches to the EEC Commission which has thus far taken a passive attitude toward this issue. McGhee believes that the Germans may take steps fairly soon to match a French offer in hopes of demonstrating the futility of a credit race. In the meantime, we should continue to regard credits beyond the Berne Union limits as the exception rather than the new rule. (Confidential)

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